Solvency II, return of experience from an early implementer NCA

Eric JARRY – Banque de France
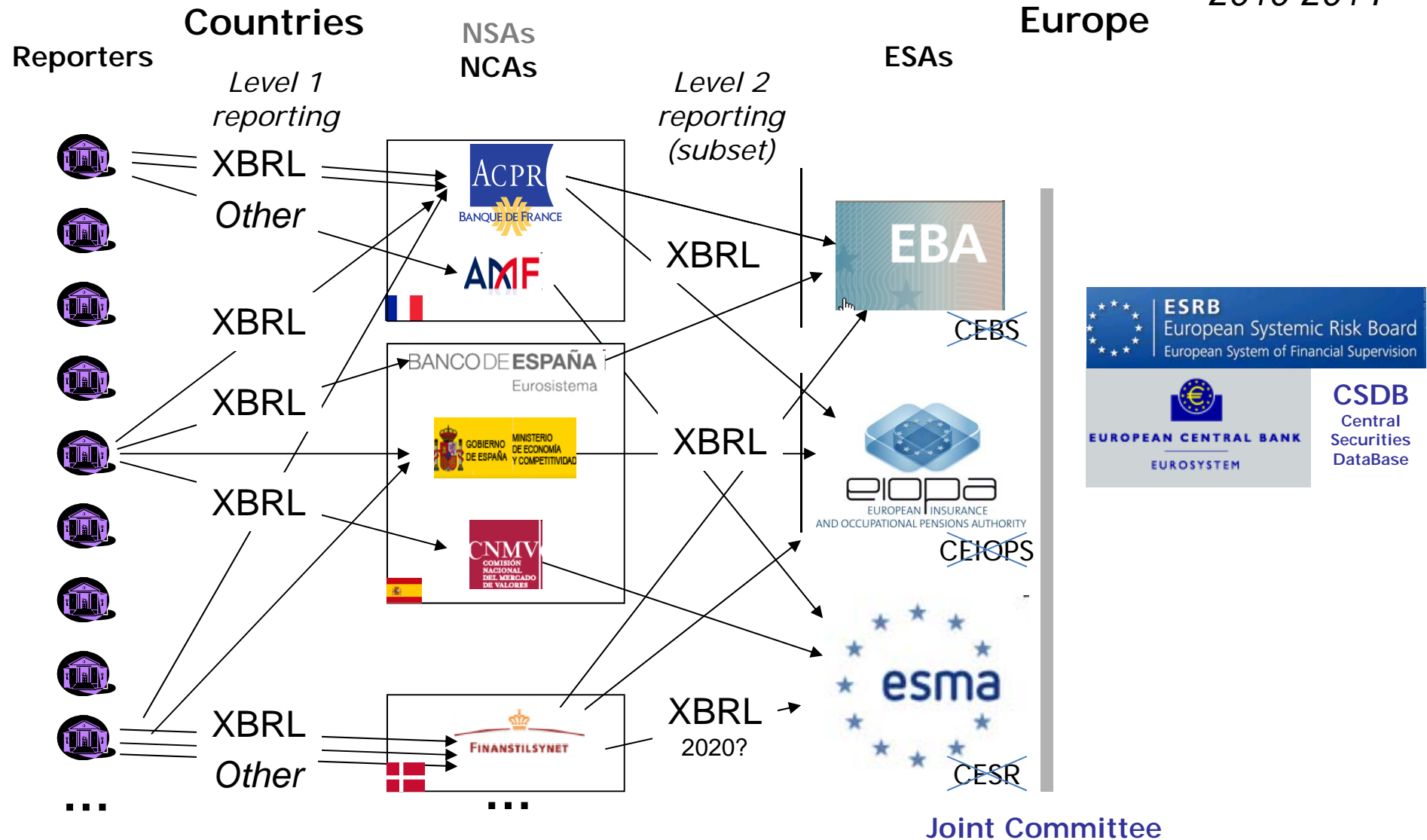XBRL Europe / Eurofiling
Madrid 2015-06-02

Agenda

- ❑ ACPR / Banque de France, National Competent Authority in the European System of Financial Supervision

- ❑ XBRL Solvency II filing in 2014 for ACPR / Banque de France

- ❑ Main problems found in the reports

- ❑ Issues with the taxonomy lifecycle

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European System of Financial Supervision

2010-2014

Single Supervisory Mechanism

2014-

	Reporter	CA	ESA

Pre / out of SSM

XBRL (optional) → FCA / BANK OF ENGLAND PRUDENTIAL REGULATION AUTHORITY *(example)* → XBRL (mandatory) → EBA

SSM

XBRL (optional) → ACPR BANQUE DE FRANCE *(example)* → XBRL (mandatory) → EUROPEAN CENTRAL BANK EUROSYSTEM → XBRL (mandatory) → EBA

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❑ ACPR / Banque de France, National Competent Authority in the European System of Financial Supervision

❑ XBRL Solvency II filing in 2014 for ACPR / Banque de France

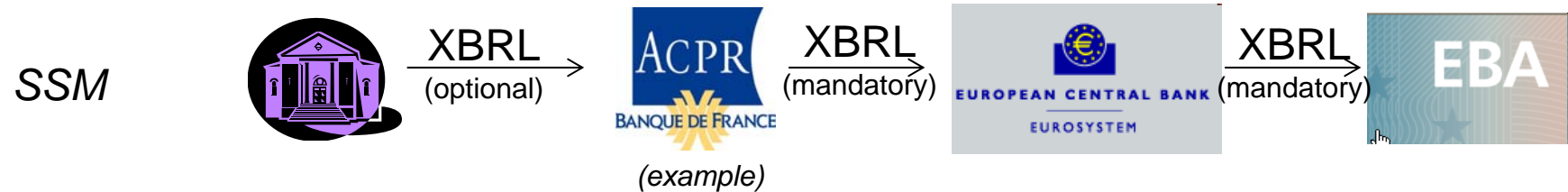❑ Main problems found in the reports

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Solvency II XBRL filings in 2014

(Banque de France imposes XBRL for Regulatory reporting since 2007)

❑ 2014 XBRL reporting for Solvency II data, on a volontary basis in ACPR / Banque de France

❑ Why:

- Solvency II regulations delayed

- IT projects started in several undertakings

- Software companies eager to start

❑ Content

- Only Annual Solo reporting for 2013 data (reference date: 2013-12-31)

- Deadline : End September 2014

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Taxonomy used in 2014

- ❑ V1.2.1 : French modification of EIOPA V1.2, published in January 2014

- ❑ Assertions provided by Banque de France
  (more assertions than in current taxonomies V1.5.2.n)

- ❑ Direct use of European taxonomy (no translation of labels provided)

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Requested data: subset of 2015 reporting

Informations de base	BI	S.01.02.b	S.01.02.01	S.01.02
Bilan	BS C1	S.02.01.b	S.02.01.03	S.02.01
Liste des actifs	AS D1	S.06.02.b	S.06.02.01	S.06.02
Fonds propres	OF B1 (extraits)	S.23.01.b	S.23.01.05	S.23.01
Provisions techniques				
Vie et santé similaires à la vie	TP F1 (extraits)	S.12.01.b	S.12.01.01	S.12.01
Non vie	TP E1 (extraits)	S.17.01.b	S.17.01.01	S.17.01
Exigences de capital				
SCR - information récapitulative - FS	SCR B2A	S.25.01.b	S.25.01.03	S.25.01
SCR risque de marché	SCR B3A	S.26.01.b	S.26.01.01	S.26.01
SCR risque de contrepartie	SCR B3B	S.26.02.b	S.26.02.01	S.26.02
SCR risque de souscription en vie	SCR B3C	S.26.03.b	S.26.03.01	S.26.03
SCR risque de souscription en santé	SCR B3D	S.26.04.b	S.26.04.01	S.26.04
SCR risque de souscription en non vie	SCR B3E	S.26.05.b	S.26.05.01	S.26.05
SCR risque opérationnel	SCR B3G	S.26.06.b	S.26.06.01	S.26.06
SCR risque de catastrophe en non vie	SCR B3F	S.27.01.b	S.27.01.01	S.27.01
MCR (non mixte)	MCR B4A	S.28.01.b	S.28.01.01	S.28.01
MCR (mixte)	MCR B4B	S.28.02.b	S.28.02.01	S.28.02

Annual solo (ARS) data are requested for year 2013

Quarterly variants for technical provisions

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2014 Solvency II XBRL filing - Statistics

❑ 197 undertakings have submitted XBRL files (> 200 undertakings have sent Excel files, requested in 2013). The size of the largest file is > 32 Mb.
Some software providers based their developments on the DPM data base provided by EIOPA, but not for version 1.2. Some of them emailed instances to us, referencing other versions of the taxonomy

❑ 53 instances were rejected with the checks contained in the taxonomy (XML / XBRL errors or assertions not satisfied)

❑ ACPR encouraged undertakings to resubmit corrected files, when possible

❑ 19 undertakings have sent corrective instances

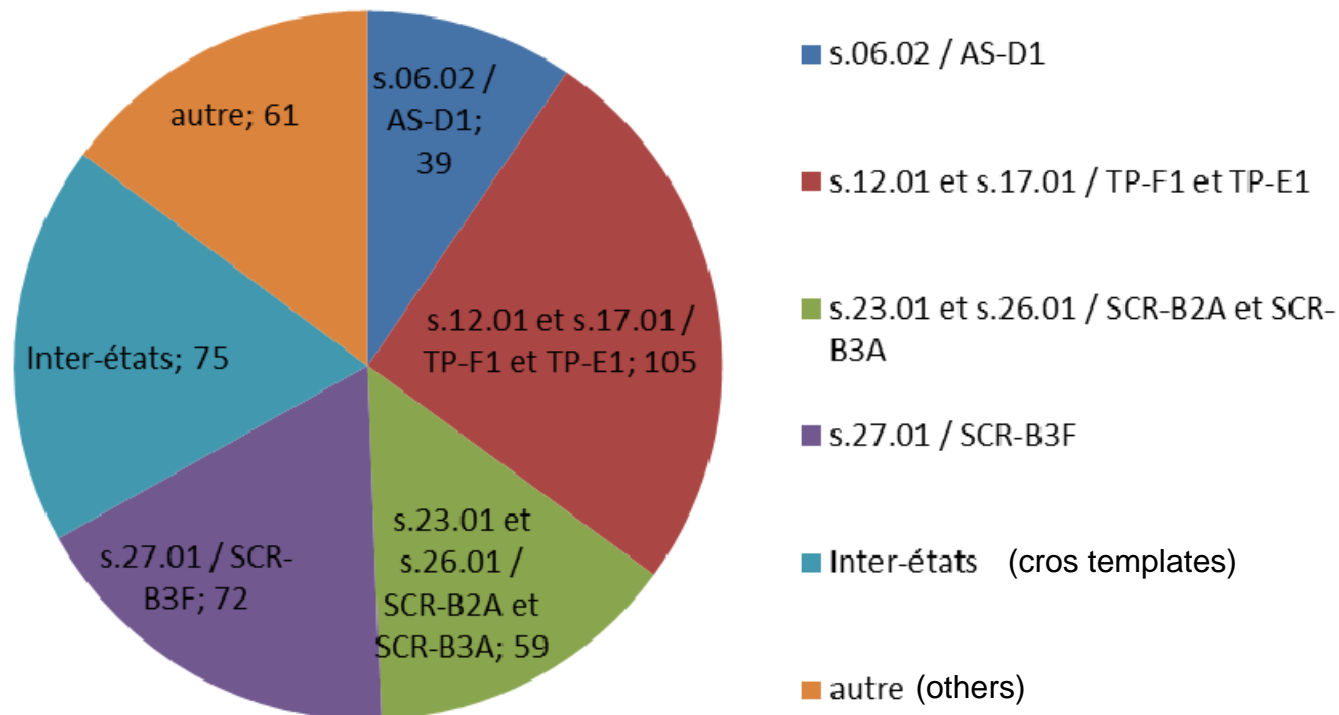❑ The test environment has been largely used, mainly by software providers at the beginning

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Analysis of errors

❑ Detected errors by template

Number of non satisfied assertion evaluations

Pie chart legend:
- ■ s.06.02 / AS-D1
- ■ s.12.01 et s.17.01 / TP-F1 et TP-E1
- ■ s.23.01 et s.26.01 / SCR-B2A et SCR-B3A
- ■ s.27.01 / SCR-B3F
- ■ Inter-états   (cros templates)
- ■ autre (others)

Pie chart segments:
- s.06.02 / AS-D1; 39
- s.12.01 et s.17.01 / TP-F1 et TP-E1; 105
- s.23.01 et s.26.01 / SCR-B2A et SCR-B3A; 59
- s.27.01 / SCR-B3F; 72
- Inter-états; 75
- autre; 61

Main errors

❑ Errors (detected or not) occurred in five main areas

- Some data were reported too precisely (decimals attributes set to 2), leading to errors due to roundings, on the opposite a lot of share prices were reported with a precision interval of 1000 €.

- Two templates MCR were mutually exclusive (mixed undertaking, or not). Some undertakings reported both, leading to assertion errors.
Checks must be implemented in taxonomies.

- Impact of diversification in S.27.01 (SCR-B3F), risk of catastrophe for non-life insurance (because of normally negative data – that should be avoided: data must be "normally positive").

- Codification of enumerated values caused problems.

- Identification of objects (entities, financial products…) were not properly coded.

Technical aspects– XBRL

Tolerance margin, using intervals' arithmetic

The tolerance margin in assertions (checks conveyed in the taxonomies) depends on the precision interval declared for each numeric data (in the decimals attribute).

For Solvency II, the minimum precision interval for monetary amounts is 1000 (i.e. +/- 500, in currency units).

- EIOPA reportings contain some data that are at micro-level (e.g.: acquisition price for a share). The minimum precision must then be « appropriate ».
  Point of attention: some undertakings report a precision interval that is too narrow, leading to unsatisfied assertions.

The TfU (Tools for Undertakings) provided by EIOPA does not use intervals' arithmetic

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Technical aspects – XBRL

Expressing identifiers

Example : identification of a financial product

❑ EIOPA decided to mandate URL, through Eurofiling

- ▪ example, for an ISIN code (ISO standard):
  http://standard.iso.org/iso/6166/FR0010744987

- ▪ example, for a CUSIP code (not ISO standard, no URL defined):
  http://codes/eurofiling.info/cusip/459200101

❑ But:

- ▪ Complex for manual data entry

- ▪ Not trival to understand

❑ Solution for 2015 reporting: use simple, relative URLs
  example: ISIN/FR0010744987
  example: CUSIP/459200101

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2014 Reporting - Calendar
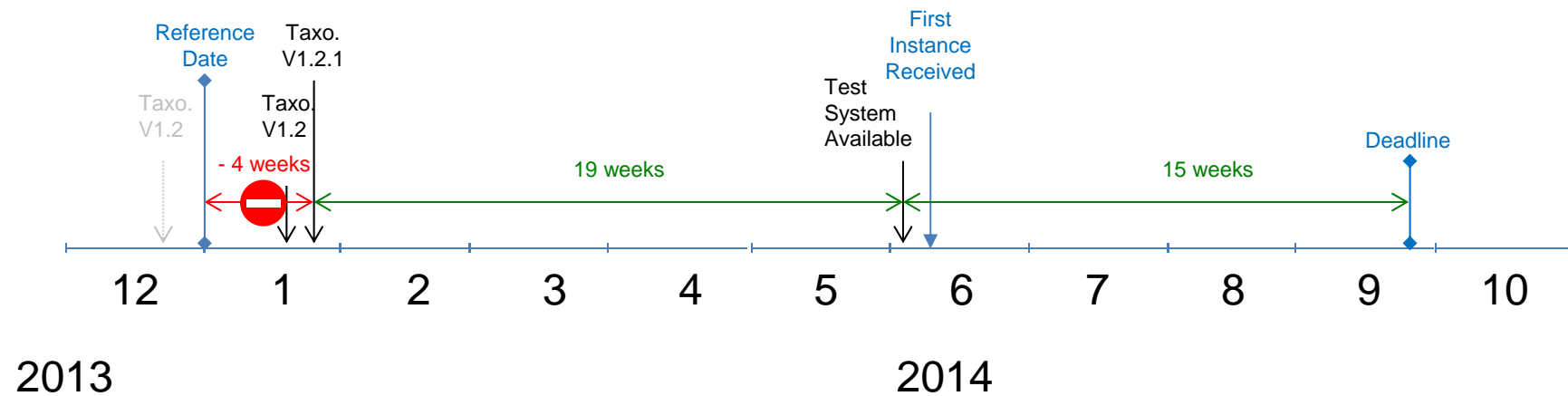
Some issues with taxonomies and reporting

❑ Taxonomies are published very late

❑ Consultation periods are too short

❑ Taxonomies have errors and hot fixes are required

❑ IT systems are not flexible enough

❑ Software providers do not have enough time for implementation and distribution

❑ Test systems are not provided early enough

❑ Documentation is not precise enough or not adequate

❑ Some business checks are wrong and have to be deactivated

❑ …

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Proposal for a taxonomy lifecycle (IT)
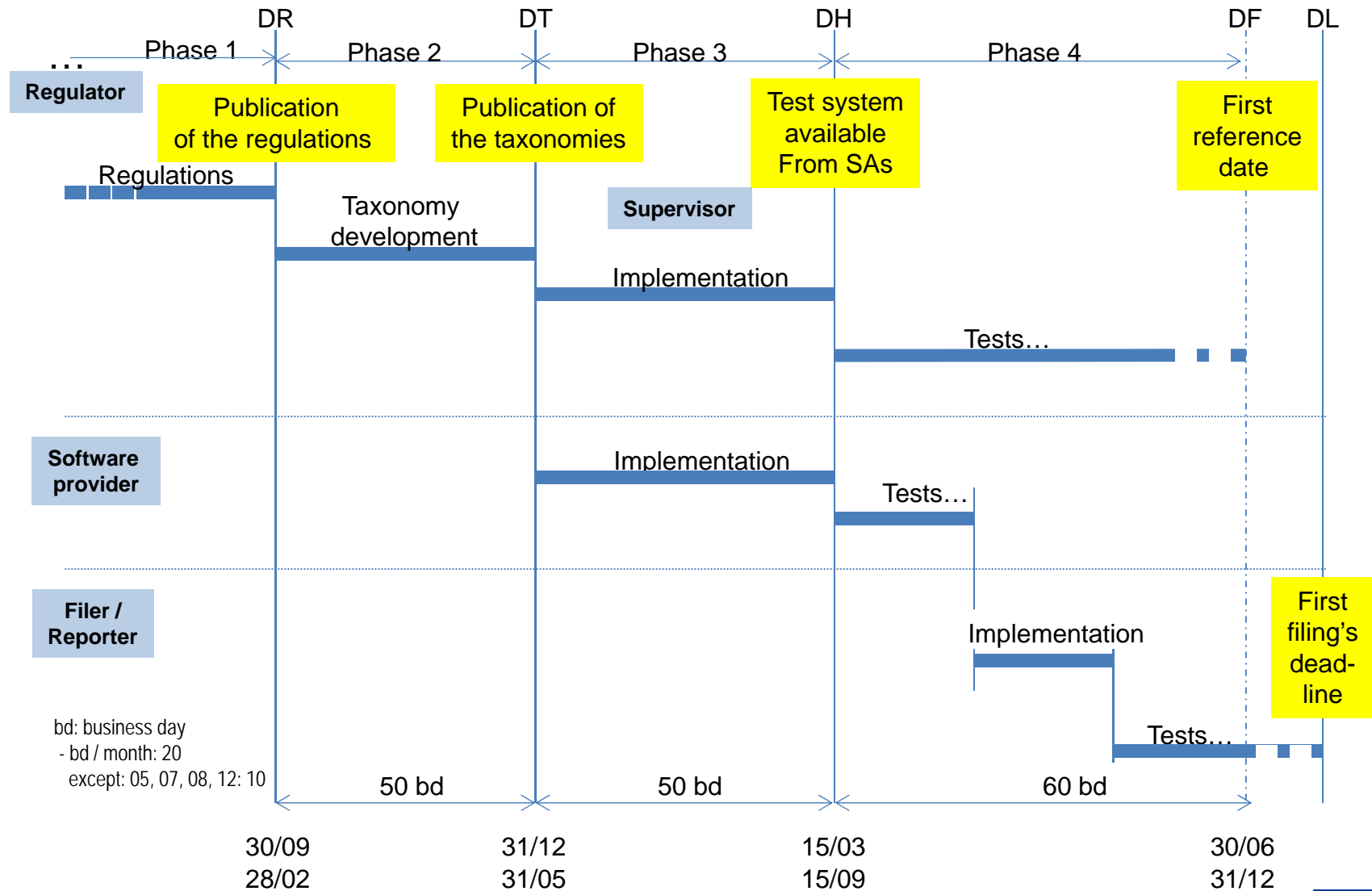
Thank you

Questions ?

Technical aspects– XBRL

Enumerations definition

To be language-agnostic, EIOPA, as EBA, has decided to use QNames (Qualified Names, identifier of data) to convey enumeration values

For example : Gabon (country) must be coded
« s2c_GA:GA » et non « GA » (like in ISO 3166 standard)

In V1.2 (2014 reportings) and V1.5.2.n (2015 reportings), the validity of the reported value is tested by an assertion

In V2 taxonomies (2016 reportings), only the Extensible Enumerations specification will be used (October 2014)

Technical aspects– XBRL

Number of digits

❑ Some data are reported with a big number of useless figures (e.g.: 20 figures after decimal point for an amount with a precision interval of 1000 €)

❑ Some software components limits the number of figures for a numeric item

▪ Do not leave leading zeros for numeric items

▪ Use an "appropriate" number of decimal digits, maximum 1 or 0.1 cent (unitary price of a share)

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Technical aspects– XBRL

Filing indicators

The value of each filing indicator must correspond to the code of the reported unit (template), not to a variant (e.g.: annual or quarterly)

E.g.: S.06.02, not S.06.02.b or S.06.02.01

Caution: the data of the the template « Content of the filing » which is in some aspects a duplicate of the filing indicators correspond to variants.

EIOPA must implement assertions to detect inconsistencies

Technical aspects – XBRL

European XBRL Filing Rules

EFR (European Filing Rules) defined by CEN (Comité Européen de Normalisation) with major contribution from XBRL Europe / Eurofiling colleagues, in order to improve data quality and facilitate the handling of data

Common with EBA and ECB

Caution: this rules, not always checked by taxonomic assertions, may lead to rejection of instances by some supervising authorities (even if they are not mandatory – « should »)

Technical aspects – XBRL

EFR 2.6 – Duplicate facts

- ❑ Situation where a fact is reported more than once in an instance

- ❑ This case must not occur, even if the fact appears in more than one reported template.

Technical aspects – XBRL

Not respected XBRL filing rules

❑ Useless attributes increasing the size of instances and their processing time

❑ Declaration of unused namespaces – EFR 3.4 :

- Namespaces for « table linkbases »

- Namespaces « CEBS » (Committee of European Banking Supervisors) met!

- Commercial namespaces : a_company.com rencontré !

❑ Unused « id » attributes « id » for facts – EFR rule to be defined

- These attributes are to be used for foot-notes

- The average size for a fact is in average ~180 characters, grows up to ~800 in this case

Technical aspects – XBRL

XBRL – EFR 2.19 – Reporting zeroes

❑ Some received instances contain an important number of zeroes corresponding to activities or break-downs (geographical areas, currencies…) not used or not applicable

❑ Only facts corresponding to known data may be reported (eventually set to zero)

❑ Data corresponding to non-reported reporting unit (template) must not be reported, unless they (also) appear in a reporting template

❑ Do not use « skeleton instances » provided by ACPR, leaving data, that are not used or not applicable, set to zero

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Technical aspects – XBRL

Situations to avoid

❑ Use of primary items not referenced in the taxonomy.

Situation not currently detected and leading to issues in the processing. This situation is now rejected in EBA taxonomies, should be rejected in EIOPA taxonomies

❑ Use of identical contexts

Technical aspects – XBRL

Cancelling an instance

❑ Solvency II reporting is in replace mode:

⇒ An instance entirely replaces a previously sent instance for the same reporter, same entry point and same reference date

❑ xsi:nil attribute for a fact is forbidden by rule EFR 2.19

❑ An instance for the same reporting entirely replace a previously sent for the same reporter for the same entry point

⇒ Proposal: instance with a filing indicator set to S.01.01, without any facts

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Questions ?